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## Appropriations Committee

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### HJR 4207

**Brief Description:** Amending the state Constitution to include the budget stabilization fund.

**Sponsors:** Representatives Anderson, Alexander, Haler, McDonald, Bailey, McCune, Chandler, Dunn, Rodne and Newhouse.

#### Brief Summary of Bill

- Establishes a Budget Stabilization Fund, into which three percent of general state revenues is deposited annually.
- Authorizes the Legislature to appropriate from the Budget Stabilization Fund with a majority vote if forecasted revenue growth is less than one percent, after certain adjustments, or with a three-fifths vote upon a gubernatorial declaration of emergency.

**Hearing Date:** 1/25/07

**Staff:** Kristen Fraser (786-7148).

#### Background:

Initiative 601, adopted by the voters in 1993, established by statute a state General Fund (GFS) expenditure limit and created the Emergency Reserve Fund. All GFS revenues in excess of the state expenditure limit are deposited in the Emergency Reserve Fund. Appropriations from the Emergency Reserve Fund require a two-thirds vote of both houses of the Legislature.

I-601 established an expenditure limit that applies to the state general fund, and, after July 1, 2007, also to certain related funds. Under the expenditure limit laws, the limit is lowered if moneys are transferred from the General Fund or a related fund to another fund or account, or if program costs are shifted from the General Fund or a related fund to another fund or account.

The term "general state revenues" is defined in the state Constitution as being all state revenues that are not dedicated to a particular purpose. General state revenues thus consist of all revenues to the state General Fund, with the exception of property tax revenues, which are dedicated to the common school system.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill:**

The state Constitution is amended to establish a Budget Stabilization Fund. Each fiscal year, 3 percent of general state revenues will be deposited in the Budget Stabilization Fund.

Moneys may be appropriated from the Budget Stabilization Fund if forecasted growth in general state revenues, excluding legislation and other non-economic changes, is less than 1 percent, as adjusted for inflation. In addition, moneys in the Budget Stabilization Fund may be appropriated with a three-fifths vote of both houses of the legislature upon a gubernatorial declaration of emergency.

The Budget Stabilization Fund retains its own investment earnings. To the extent that the balance of the Budget Stabilization Fund exceeds 7 percent of general state revenues, the excess balance is deposited in the new Debt Retirement Fund, from which the Legislature may make appropriations for debt service on state bonds.

Neither transfers to nor expenditures from the Budget Stabilization Fund may result in adjustment to any state expenditure limit.

The Legislature may enact legislation to implement the Constitutional amendment. The Legislature is directed to define inflation and to designate an entity to make the revenue forecasts.

**Appropriation:** None.

**Fiscal Note:** Not requested.